

Message Text

CONFIDENTIAL

PAGE 01 LA PAZ 02268 181551Z

ACTION EB-08

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NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
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TO SECSTATE WASHDC PRIORITY 9941

C O N F I D E N T I A L LA PAZ 2268

E.O. 11652: GDS

TAGS: EMIN, BL

SUBJECT: PEREDA ADVISERS SCORE US TIN POLICY

1. SUMMARY: TOP PEREDA ADVISORS EDWIN TAPIA AND JAVIER ARCE TOLD POL/ECOM COUNSELOR ON MARCH 16 THAT THE US DECISION TO PERMIT THE SALE OF GSA TIN WOULD DAMAGE THE BOLIVIAN ECONOMY AND JEOPARDIZE THE ELECTORAL PROCESS. TAPIA ARGUED THAT EACH ONE CENT DECLINE IN TIN PRICES WOULD COST BOLIVIA ABOUT \$600,000 ON A YEARLY BASIS. HE DID NOT AGREE WITH POL/ECOM COUNSELOR'S VIEW THAT IN THE LONG RUN THE US SALES WOULD NOT SERIOUSLY DEPRESS THE WORLD MARKET PRICE. ARCE STRESSED THAT THE US DECISION WOULD NOT HAVE COME AT A MORE INOPPORTUNE TIME FOR BOLIVIA POLITICALLY. THE TWO BOLIVIAN OFFICIALS HINTED THAT A POPULAR HUNGER STRIKE MIGHT BE LAUNCHED IN PROTEST OVE RTHE US MOVE, AND ASKED HOW THE US WOULD REACT. THE POL/ECOM COUNSELOR REPLIED THAT SUCH A PRESSURE TACTIC WOULD BE EXTREMELY ILL-ADVISED AND ULTIMATELY PREJUDICIAL TO BOLIVIAN INTERESTS.
END SUMMARY.

2. IN A CONVERSATION WITH THE POL/ECOM COUNSELOR ON MARCH 16, TOP PEREDA ADVISORS JAVIER ARCE AND EDWIN TAPIA CONTENTED STRONGLY THAT THE US DECISION TO AUTHORIZE THE SALE OF GSA TIN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 02268 181551Z

POSED A SERIOUS THREAT TO THE BOLIVIAN ECONOMY AND JEOPARDIZED THE SUCCESS OF THE ELECTORAL PROCESS.

3. TAPIA, THE MORE EMOTIONAL OF THE TWO, ARGUED THAT FOR EACH ONE CENT DECLINE IN THE WORLD PRICE OF TIN, BOLIVIA STOOD TO LOSE, ON AN ANNUAL BASIS, APPROXIMATELY \$600,000. CONVERSELY, HE ESTIMATED THAT THE US WOULD EARN FROM ITS TIN SALES ABOUT

\$500 MILLION, WHICH, HE SAID, MEANT RELATIVELY LITTLE IN TERMS OF THE US ECONOMY. IF THE US WISHED TO SHORE UP THE COPPER INDUSTRY, HE MAINTAINED, IT COULD EASILY DO SO BY DIPPING INTO ITS TREASURY. BOLIVIA, ON THE OTHER HAND, ENJOYS NO SUCH ECONOMIC FLEXIBILITY, AS ITS LIVELIHOOD IS LINKED DIRECTLY TO THE SALE OF TIN, WHICH ACCOUNTS FOR 45 PERCENT OF ITS EXPORT EARNINGS. TAPIA REMARKED THAT, FOR BOLIVIA, A FLUCTUATION OF \$7 OR 10 MILLION REPRESENTED THE DIFFERENCE BETWEEN A SOUND ECONOMY AND FISCAL CHAOS.

4. IN RESPONSE, THE POL/ECOM COUNSELOR REVIEWED THE REASONING BEHIND THE DECONCINI-UDALL BILL AND POINTED OUT THAT THE DECISION TO SELL GSA TIN WAS NOT GEARED PRINCIPALLY TO THE PURCHASE OF COPPER, BUT TO CLOSE THE GAP CREATED BY TIN PRODUCTION SHORTFALLS. HE UNDERScoreD THE IMPACT OF THE CURRENT SHORTAGES AND EMPHASIZED THE CONCERN OF US INDUSTRY FOR AN ASSURED SUPPLY OF TIN. HE STRESSED, MOREOVER, THAT THE GSA SALES WOULD BE MADE IN CONSULTATION WITH THE BOLIVIAN GOVERNMENT AND EXPRESSED THE BELIEF THAT IN THE LONG RUN THE US DECISION WOULD NOT SERIOUSLY DEPRESS THE WORLD MARKET PRICE. ALTHOUGH TAPIA APPEARED TO ACCEPT THE FIRST PART OF THE POL/ECOM COUNSELOR'S CLARIFICATION, HE DISAGREED WITH THE VIEW THAT THE US DECISION WOULD NOT ADVERSELY AFFECT THE BOLIVIAN ECONOMY. TAPIA PREDICTED INSTEAD THAT TIN PRICES WOULD CONTINUE FALLING THROUGHOUT THE YEAR, CAUSING BOLIVIA SERIOUS ECONOMIC PROBLEMS.
CONFIDENTIAL

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PAGE 03 LA PAZ 02268 181551Z

5. ARCE SUPPORTED TAPIA'S VIEW THAT THE SALE OF GSA TIN WOULD BE EXTREMELY DAMAGING TO THE BOLIVIAN ECONOMY, ADDING THAT THE US DECISION WOULD NOT HAVE COME AT A MORE INOPPORTUNE TIME FOR THE DEMOCRATIZATION PROCESS. HE SAID THAT EVEN THOUGH NO US TIN WOULD BE SOLD FOR SEVERAL MONTHS, THE ISSUE WOULD FESTER AND THAT WITHIN SIXTY DAYS IT WAS LIKELY THAT OPPOSITION EXTREMIST WOULD BE ABLE TO USE IT TO FOMENT SOCIAL UNREST. IN THIS REGARD, TAPIA COMMENTED THAT PEREDA'S MARCH 15 RALLY TO PROTEST US TIN SALES WAS DESIGNED IN PART TO OUTFLANK THE LEFT. HE SAID THAT IN HIS OWN PUBLIC REMARKS THAT DAY HE HAD AT FIRST PLANNED TO ILLUSTRATE PRECISELY HOW THE DROP IN TIN PRICES WOULD AFFECT JOBS IN BOLIVIA, BUT ULTIMATELY HAD NOT DONE SON BECAUSE HE FEARED THE CROWD WOULD BECOME TOO ENFLAMED. ARCE AND TAPIA ALSO HINTED THAT A POPULAR HUNGER STRIKE COULD BE LAUNCHED IN PROTEST OVER THE US TIN POLICY, AND ASKED HOW WASHINGTON AND THE AMERICAN PEOPLE WOULD REACT IN SUCH A CASE.

6. THE POL/ECOM COUNSELOR ACKNOWLEDGED THAT THE TIMING OF THE DECONCINI-UDALL BILL WAS UNFORTUNATE FOR THE ELECTORAL PROCESS, BUT POINTED OUT THAT THE BOLIVIAN GOVERNMENT SHOULD FOLLOW UP ITS PROTESTS WITH CONSIDERED PROPOSALS AS TO WHAT KIND OF

GSA SALES PROGRAM WOULD BEST PROTECT BOLIVIA'S INTERESTS. AS TO THE POSSIBLE IMPACT OF A BOLIVIAN HUNGER STRIKE, HE STATED THAT SUCH A PRESSURE TACTIC MIGHT BE CONSTRUED AS A CHALLENGE TO THE US'S FREEDOM TO MANAGE ITS OWN ECONOMY, AND WOULD NOT BE FAVORABLY RECEIVED. MOREOVER, HE MAINTAINED, THE US GOVERNMENT WAS NOT GEARED TO DEAL WITH TACTICS OF THIS KIND, AND WOULD BE INCLINED TO RESIST GIVING IN TO SUCH AN APPROACH.

7. AT THE CLOSE OF THE CONVERSATION, TAPIA ASKED WHETHER THE US WOULD CONSIDER REVERSING ITS DECISION. THE POL/ECOM COUNSELOR REPLIED THAT INDUSTRIAL USER'S CONCERNS MADE IT VERY UNLIKELY THE AUTHORIZATION BILL WOULD NOT PASS, BUT THE IMPORTANT THING FOR THE BOLIVIAN GOVERNMENT WAS THE SALES CONFIDENTIAL

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PAGE 04 LA PAZ 02268 181551Z

PROGRAM, AND THE US WOULD CONSULT WITH THE GOB ON THIS.
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Message Attributes

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Draft Date: 18 mar 1978
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Decaption Note:
Disposition Action: RELEASED
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Disposition Case Number: n/a
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TAGS: EMIN, BL, US
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